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Starting and Managing a Business from Your Home

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Starting and Managing a Business from Your Home

by Lynne Waymon

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About the Author

Lynne Waymon designs and delivers continuing education programs in the fields of small business management, management skills, and personal development. She has worked with private corporations, government agencies, and community groups to develop courses specially designed for their employees. Programs under her direction at Montgomery College in Maryland received awards from the Small Business Administration for "outstanding performance providing consistently high quality business management training of substantive value to the small business community" in 1978 and in 1982.

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Introduction:

"There's No Place Like Home"

The cottage industry, an old-fashioned enterprise, is enjoying a revival so strong that it's difficult to find out just how many Americans are now working at home. Estimates range from two to five million and the numbers may double by 1990.

Because women now enter business at a rate five times faster than men, the trend of operating from home is growing. A natural starting place for many businesses seems to be the garage, basement, or den. A recent Census Bureau study showed that over 300,000 women's businesses are operated out of the home.

Homemakers, hobbyists, retirees, people interested in a second income, and the disabled are just a few of the groups attracted to home enterprises. A young mother's craft business began when she started appliqueing decorations on her children's clothes. A retired government worker bought 36 beehives and sold honey to local health food stores and at craft fairs. A teacher did typing and secretarial jobs for her husband and friends until she realized the potential market and opened a full-time secretarial service from her apartment. Others have become home business owners by using their skills in catering, counseling, teaching, day care, sewing, writing, photography, counsulting, market research, and landscape design.

The list of services that have been successfully operated from home is endless: chimney sweeping, maid services, messenger services, wake-up and answering services, home nursing, mail order businesses, party planning, dog grooming, kitchen and closet planning and organizing, and others too numerous to mention. As you explore the questions asked in the first chapter, "Home Entrepreneurship: Is It For You," let your thoughts run freely through the possibilities until you can target exactly the right type of business for your skills, your home space, your market, and your part of the country.

1

Home Entrepreneurship: *Is It For You?*

The first step in deciding whether to start a business is to ask yourself this important question: "Do I have what it takes to be an entrepreneur?" Studying the characteristics of successful business owners will help you to tell whether your personality traits, experiences, and values are similar to those who have succeeded. And assessing your experience, skills, and life goals will also help you decide if you want to invest the energy, time, and resources that successful entrepreneurship requires.

Who is the "Typical" Entrepreneur?

What makes an entrepreneur successful is a hotly debated and vigorously researched subject. In *Success And Survival In The Family-Owned Business,* Pat B. Alcorn, an expert on entrepreneurial problems, has developed the following questionnaire to help you determine your "Entrepreneurial Quotient." Write your answers in the margin. Then read on to discover what she believes characterizes the typical entrepreneur:

Do you reconcile your bank account as soon as the monthly statement comes in? ____

Entrepreneurs are careful about money. They usually know how much money they have so they can seize oppor-

tunitites on short notice. They know what things cost, whether prices are going up or down, and whether they are getting a bargain.

Did you earn money on your own from some source other than your family before you were 10 years old? ___

Most people who are going to make money in business show an affinity for making money at an early age—by babysitting, selling lemonade, delivering newspapers, or some such strategy.

Did you take part in competitive sports in school and do you continue to do so? ___

Entrepreneurs obviously have a competitive nature and many of them show this at an early age in sports activities. It is not so much that sports train people to be entrepreneurs; rather, the same inner drives push people to be athletes and entrepreneurs.

Do you get up early in the morning and find youself at work before others are out of bed? ___

Entrepreneurs sleep and eat enough to keep up their strength, but they don't usually tarry at these pursuits.

Do you tend to trust your hunches rather than wait until you have a lot of information on hand? ___

Hunches are judgments based on factors that cannot be quantified. A big part of entrepreneurship seems to be risk-taking based on these hunches.

Do you keep new ideas in your head instead of writing them down? ___

Entrepreneurs keep a lot of things in their heads, including their most creative ideas.

Do you remember people's names and faces well? ____

Ease in remembering names and faces is very important in the business world.

Were you good in "hard" subjects—mathematics, biology, engineering, accounting, and so forth—in school? ____

People who major in business administration in college are more likely to be successful entrepreneurs than anyone else. They prefer subjects in which the answers are conclusive rather than open-ended conclusions full of contingencies.

In school, did you pretty much stay away from such organizations as Scouts and student government? ____

Most entrepreneurs tend to be loners rather than joiners, unless joining is a useful tactic for making contacts and gathering business information.

In courting the opposite sex, did you tend to go for one person at a time as opposed to playing the field? ____

Most entrepreneurs preferred one person because to play the field would have taken too much time away from business activities.

Do you close deals with a handshake rather than insisting on written contracts and guarantees? ____

Good entrepreneurs are often comfortable with something less binding than written contracts. When the only bond is a word, it becomes a matter of honor, and no entrepreneur can afford to lose honor.

Do you devote considerably more time and thought to work than to other activities, such as hobbies? ____

Entrepreneurs may have some leisure time activities, but their principal hobby is their work.

A similar test was developed by John Komives, director of Milwaukee's Center for Venture Management. Again, write your answers in the margin, then read on to see the expert's answers.

Was your parent an entrepreneur?

Having a close relative who was an entrepreneur is the single most telling indicator of a successful entrepreneur.

Are you an immigrant?

There is a high correlation between immigrants and entrepreneurs. In this sense, "immigrant" includes not only those who were born outside the United States, but also those who moved from farm to city or from the Midwest to the West Coast.

Did you have a paper route?

The entrepreneurial streak shows up early in life.

Were you a good student?

Typical entrepreneurs were anything but model students and often were expelled from school.

Do you have a favorite spectator sport?

The best answer is "no." Entrepreneurs are poor spectators. They often excel at individual, fast-paced sports such as skiing or sailing.

What size company do you now work for?

The typical entrepreneur comes from a medium-sized company—30 to 500 employees.

Have you ever been fired? ____

Entrepreneurs make poor employees. That's why they become entrepreneurs.

If you had a new business going, would you play your cards close to the vest, or would you be willing to discuss problems with your employees? ____

Typical entrepreneurs have a secretive streak. If they confide in anyone, it is likely to be another entrepreneur.

Are you an inventor? A Ph.D.? ____

Not a positive indicator. Inventors fall in love with their products, Ph.D.s with their research.

How old are your? ____

The typical age for starting a business seems to be 32-35.

When do you plan to retire? ____

Entrepreneurs don't retire. They may sell a business and think they will retire, but they are always out there starting a new business.

In still another study, Jeffry A. Timmons asserts that entrepreneurs are people who have high energy, feel self-confident, set long-term goals, and view money as a measure of accomplishment. They persist in problem solving, take moderate risks, learn from failures, seek and use feedback, take initiative, accept personal responsibility, and use all available resources. They compete with themselves and believe that success or failure lies within their personal control or influence. They can tolerate ambiguity.

Are You Ready, Willing, and Able?

Now that you have studied the characteristics of others who have succeeded, survey your reasons for wanting a home-based

business. Are you dissatisfied with your current job? What are your skills? What is your business experience, especially in the business you want to start? What are your life goals? What resources do you have that might help?

Answering these questions will provide reality testing for ideas that can sound incredibly glamorous when chatting with friends or seductively attractive when you are irritated or bored by your present job.

Order a copy of the SBA pamphlet *Checklist For Going Into Business*, MA 2.016 (see *For Further Information*). Answer the questions and discuss your reactions with friends and family. Or better yet, ask several people close to you to think carefully about you and fill out the checklist for you. Have you underestimated your abilities? Overestimated them? Sometimes an evaluation by a friend is more useful than a self-evaluation.

How does your family react to the idea of a home business? Will you expect them to help out? What changes would your business use of the house mean for them? Will you have to remodel to create a usable business space?

What resources are available to you? Will you start by keeping your job and "moonlighting" for a while? Do you have a small nest egg, inheritance, or retirement income to live on until you get the business going? Do you already own tools or machines that will help (for instance, a word processor for a secretarial business or professional cameras and a darkroom for a commercial photography business)? Are you able to go back to school for training if necessary? Have you built up a network of contacts and possible customers through your previous lines of work or will you be starting from scratch?

Answering these questions honestly and completely will help you assess not only your chances for success but also which type of home-based business to choose. For instance, if your past professional life and contacts are all in the educational, teaching, child-oriented school area, then you should have powerful reasons for leaving that and opening a mail-order seed business. Possibly a tutoring business or a tot exercise franchise would use more of your resources and networks. On the other hand, if your assess-

ment of your life goals and preferences helps you realize that you are burned out from working with kids, then perhaps a business planning birthday parties could later be built into a general party planning and catering business. You would be using your old contacts to build a long-range business plan that focuses on a service business for adults.

The Advantages of Home-Based Business

Why have millions of Americans chosen to work and live in the same place? Why are cottage industries sprouting faster than we can count them? Some home-based businesses start by accident rather than by conscious design. Secretarial services, day-care centers, craft ventures, and the like may start out as weekend activities in the recreation room. After a while their owners are surprised to see how profitable or enjoyable the venture has become. The glimpse of a healthy market lures them into a full-time venture. This low-risk, low-overhead, gradual kind of start-up is very attractive to new business people.

Many home-based business people cite decreased commuting time and other lessened business expenses as advantages for working at home. If your place of work is just 30 minutes away, that's five hours a week in commuting time, many dollars in gasoline and car maintenance or transit fares, and untold stress fighting traffic. Getting out of the high-fashion rat race is a plus for many who dislike having to dress up and continually buy new clothes to feel comfortable in settings outside the home.

Homemakers—mostly women but also an increasing number of men—are choosing a home-based business in order to have a more flexible lifestyle and to be closer to family. A parent who has a home office can eat lunch with the children or more easily attend special school or sports events. The home-based business person has more control over work hours than someone with a 9 to 5 job. Night owls who like to work until 3 a.m. can then sleep late (remembering, of course, to turn on the answering machine and let customers know the business hours). On the other hand, early birds can work without the usual disturbance from the telephones.

The tax advantages of operating a business from home are numerous but sometimes complicated. Wise business owners keep careful records and work with accountants, attorneys, and financial planners to make sure they are filing for the legal maximum write-offs and benefits.

The Disadvantages of a Home-Based Business

If you were hard at work in an office downtown, it is unlikely that three children would come storming in to ask for snacks or that you would end up using the ironing board for a bookshelf or have to think twice about hiring others because they might resent working at your kitchen table. These are just a few of the problems that make the glamour of working at home fade fast. Some disadvantages of working at home can be minimized by self-discipline, by setting clear limits with family and friends, and by projecting a professional image. Other disadvantages "come with the turf" and just have to be lived with. If a delivery man comes to the door, you will probably be the one to interrupt your work and sign for the package.

It takes time and discipline to establish steady, at-home work patterns. Often it seems easier to water the plants or do the laundry than to call a client, design a new brochure, or prepare bills for customers whose work you've completed. Without the deadlines imposed by supervisors or peers, it can be hard to do the least appealing jobs on your list. To make matters worse, others may not take you seriously. Neighbors may stop by to chat or friends may call your business number knowing you will answer. Without supervisors or managers, you are the one who must set limits and plan your time. There also is the problem of isolation. While you are now your own boss, you won't have the chats, the parties, the companionship of fellow workers. Losing such social contact requires adjustments.

As the business grows and changes, the home entrepreneur has to put up with cramped or inappropriate space. No more simply putting in a request for a bigger file cabinet or a new copy machine; now you must visit showrooms or garage sales, evaluate features, compare prices, and probably pick the item up yourself.

Your teenager may resent having to keep the stereo low because you're meeting with a client in the next room. Your spouse may be irritated by having to fry that freshly caught trout on the backyard grill so your office won't smell of fish. Your son may not want to give up the recreation room pool table so you can cut out 100 doll patterns this weekend. Neighbors may comment on the extra traffic your customers create on their quiet street. Family privacy and lifestyle patterns may be disturbed. And you will probably find yourself wrestling with laws and regulations you never dreamed could exist before you went into business.

Your Professional Image

Developing a professional image may be hard if you work out of your home. Projecting a businesslike image is an important part of building credibility with your customers and contributes to your own professional self-image. Design a logo or have one designed; order business cards and stationery. Set regular business hours. Use an answering machine or answering service. If other members of the family also answer the phone, make sure they know what to say. Have a businesslike office or "showroom" if you meet customers face to face. Consider referring to your apartment number as your "*suite number*" or rent a post office box rather than using your street address. Such practices might improve your chances of doing business with potential customers.

Your Next Steps

Now that you have reflected on the characteristics of successful entrepreneurship and assessed your skills, experience, and life goals, it's time to plan your next steps. Ask yourself: Given the disadvantages of working out of my home, do I still want to? Now that I know more about what's involved in starting a business, is it still for me? Do I need further training or experience? Should I begin part-time in order to test the waters, check our market potential, or refine my product or service? Do I need more time to research possible products or services? Have I decided on a particular business? The next chapter will help you define your

business, the market, and the price to charge for your product or service.

Others Have Succeeded—Why Not You?

A former teacher tells how she started her own tutoring business:

> *I taught languages in high school for seven years. Whenever I needed a little extra money, or during summer vacations, I tutored individual students. As my reputation grew, people began to ask me if I could recommend tutors in other subjects.*
>
> *As my enthusiasm for teaching in public schools waned, I began to research the possibility of a tutoring business. I started one summer by turning my second bedroom into an office and having stationery printed. Summer is a peak time because parents hire tutors to help their kids catch up on subjects. By the end of that summer I was managing 48 tutors in 23 different subjects or grade levels all over the metropolitan area. I hired a part-time assistant who worked at the kitchen table. We added other services, such as classes to help high-school students prepare for national exams. Operating from home was perfect for me since I needed to keep my overhead low and keep a good cash flow to be able to pay my tutors.*

A computer programmer tells his story:

> *I longed to get enough work doing computer programming so that I could avoid the long commute to work and be closer to my two young boys as they grew up. I started working in an office I built in the basement doing small jobs and working for friends in the business who were up against tight deadlines. When I got my first big contract, I took the leap and gave notice. Now, two years later I've established a good track record with clients and have hired two others who work at terminals in my recreation room. I like being able to work late at night after the family is asleep. And I enjoy being around when the kids get home from school. I don't need a fancy downtown office. If I meet with a client, I make sure it's at his office, not mine.*

2

Answering The Big Question:

What? Who? Where? How? and How Much?

What's the perfect home business for you? You've listed your skills. You've outlined your interests. You've described your family's preferred lifestyle. You've come up with a business idea. Next, consider such questions as: Are there customers for my product or service? How do I know? How will I find them? Who are my competitors? What will I charge? How will I promote my product or service? Finding the answers to these questions is the challenging and sometimes tedious homework that will help you determine your chances for success, and whether you should look for another more marketable idea.

What Is My Product?

"I bathe and groom poodles and small dogs." "I design, construct, and sell roll-top desks." "I provide accounting services to small business clients." "I make dried flower arrangements." "I teach intermediate and advanced piano to children." "I design and implement direct mail advertising campaigns for small businesses and nonprofit organizations."

The first step in creating a business is to decide what your product is. What are you selling? Practice writing a short, specific statement describing your product or service. Getting a clear idea of a business concept is one of the most difficult tasks in creating a business. Your statement may change several times as you experiment with the market and test your skills. Instead of "I make toys," you may want to narrow your product line to "I make wooden dolls." Instead of "I write software programs for small business needs," you may decide to tap into a big market and "provide training for employees of small businesses in the use of accounting packages." See how it feels to describe your product or service to family, friends, potential customers, and fellow business people. Is your description clear and brief? Can you say it with confidence and enthusiasm?

Who Will Buy It?

To develop and test your business idea, answer the question "Who will buy my product or service?" Make a list of potential customers: individuals, groups, segments of the population, or other businesses that need your product or service. If you are making fabric-covered lap boards for people confined to bed, how will you quickly and inexpensively find a market? Through hospitals or home nursing care organizations? Through craft stores by displaying them as gift items? In mail order catalogues? Is there a market avenue that will reach children? Ask friends and colleagues for help in brainstorming all the possible markets (customers) and uses for your product or service.

Who Is the Competition?

Your business planning must also include an up-to-date analysis of your competition. Why? Because you need to plan your market position—how you will fit into the marketplace. Will your product or service be cheaper or more expensive than that of the major competitiors? Will it be more durable? Will you be open during hours that your competitors are closed? What benefits can you build into your product or service that your competitors don't offer? Will you do rush jobs?

In planning your business, look for a unique niche that will give you freedom from strong competition or that will make your product or service more valuable than others in the market. If you plan to open a day-care center and find that none in your area is open before school, early opening might make your service more competitive. If you discover that local caterers have overlooked the office party market, you might highlight that in your brochure. The more you can learn about your competition, the better you'll be able to decide how to position yourself in the market.

Newspaper ads and trade magazines are other good sources of market information. Check also with the Chamber of Commerce, your county office of economic development, the Census Bureau, and business and professional organizations to gather market and pricing data.

Where Are the Buyers? How Can I Find Them?

As you become more familiar with the competition, you will also be discovering where and how to find buyers. Whatever the type of home business you want to open, you will need to do market research to determine if there are buyers for your idea, where they are, and how to find them. (And in the process, you will also be gathering information on pricing.)

Visit your local library to compile local and county statistics on the size and makeup of your market. (While you are at the library, check out some books on marketing research so you will know what you are getting into.) Also, check those of the following resources that might have data about your product or service or the people who would use it:

Encyclopedia of Associates. 17th Edition. Gale Research Company, Book Tower, Detroit, MI 48226.

Ayer Directory of Publications. Lists trade publications by subject matter. Contact the sales, marketing, or research departments for buying patterns among their readers.

"Survey of Buying Power." *Sales, Marketing, Management Magazine.* July issue each year.

Thomas' Register. Lists companies by product and service line, organized geographically and alphabetically.

Directory of Business, Trade, and Public Policy Organizations. U.S. Small Business Administration, Office of Advocacy.

Department of Commerce Publications. Data User Series Division, Bureau of the Census, Washington, D.C. 20233.

County Business Patterns. U.S. Department of Commerce, Bureau of the Census. Available for each state.

When your marketing research is completed you will have 1) identified your potential customers; 2) found out all you can about their habits, needs, preferences, and buying cycles; and 3) decided how to reach them to generate sales.

How Much Shall I Charge?

Four main factors will help you decide what to charge for your product or service: 1) your direct and indirect costs; 2) the profit you want to make; 3) your market research data on competitors' prices; and 4) the urgency of the market demand. There is rarely an exact "right" price but rather an acceptable price range within which you will want to fall. Avoid the common mistakes made by many new business owners—charging too much or too little. Use several approaches to arrive at a cost and "test" the price. If your ego is too involved, your price may be too high. On the other hand, if you have the atitude that "this is just a little something I do in my spare time" or "anybody could do this," then your price may be too low.

Here is a formula for setting a fair price. Calculate your price using other approaches, too, before you make a final decision on price:

Typical Pricing Formula

1. **Direct Material Costs**—Figure the total cost of the raw materials you have to use to make up your item. Figure the cost of a group of items and then divide by the number of items to find the cost per item. If you can easily and immediately determine the material cost of a single item, fine. Some items are produced in batches, however, and it is easier to get an item cost by dividing the cost of a batch by the number of items eventually produced.

2. **Direct Labor Costs**—Figure what you pay to employees to produce the item (whether or not you have employees now). You must assign a wage figure, even if you are the only one producing the item. Take the weekly salary you pay someone to produce the necessary number of items and divide it by the number of items. Add this figure to the Direct Material Costs total.

Materials + Labor = $_____.

3. **Overhead Expenses**—These expenses include rent, gas and electricity, business telephone calls, packing and shipping supplies, delivery and freight charges, cleaning, insurance, office supplies, postage, payroll taxes, repairs, and maintenance. The accuracy of your costing depends on estimating logical amounts for all categories of expenses. If you are working at home, figure a portion of your total rent or mortgage payment (in proportion to your work space and storage areas), or assign a reasonable, competitive rent figure for the same amount and type of space. List all overhead expense items and total them. Divide the total overhead figure by the number of items per month (or time period you used above). The answer is your overhead per item.

Overhead + Materials + Labor = Total Cost/Item

4. **Profit**—Include an amount added to the cost of each item so you won't end up just breaking even or making the employees' wages. Check your competition and see what they are charging. (Retailers generally double the wholesale price.) If your product is

a little better than the competition, charge a little more. If your product is comparable, price it similarly. Remember, you will get the profit from each sale, in addition to the salary figure. Add the profit figure you have chosen to the total cost per item to get your total price per item.

Profit + Total Cost/Item = Total Price/Item

Remember, the main purpose in operating a business is to make a profit. Don't undersell your product or service just because "I'd be baking cakes anyway" or "I'm just starting out" or "I work out of my home." If you have a new, rare, handmade product or personalized service, the demand may be so high that customers are willing to pay a little more.

Promotion

Promotion is an overall, long-range plan designed to inform potential customers about what you have to sell. Advertising is usually thought of as the paid communication part of the promotion program.

To develop a total promotional campaign you must answer these questions: 1) What image or message do I want to promote? 2) What are the best media and activities for reaching my potential customers? 3) How much time and money can I spend on the effort?

Develop a long-range, consistent program for building image and reaching customers. Your image should be reflected in your business card, logo, stationery, brochure, newsletter, telephone answering service, signs, paid ads, and promotional activities.

Word-of-mouth recommendations from satisfied customers are the very best promotion any business can have. Consider which promotional tactics will build the confidence and image you are looking for—giving speeches and interviews (often good for counselors, teachers, lawyers, consultants), having an open house

or holiday home sale (for craftspeople), holiday recitals or shows (for music and dance teachers or day-care operators), free demonstrations and samples (for retailers, decorators, caterers).

Several small ads may have more impact than one large, splashy ad. Conduct a **campaign** rather than having a one-shot ad or event. If you hire a public relations firm, look for one that can give you personal attention and develop a total marketing plan for you, not just a couple of ads. The plan should include market research, a profile of your target audience, a clear description of the image they recommend you project, the written copy, and a list of media (including cost and scheduling calendars) that are best for your type of product or service. As a new small business owner, you will probably decide to set aside a certain dollar amount per year or a percentage of past, current, or projected sales for paid advertising.

3

Managing Your Business:

Structure, Recordkeeping, Taxes, and Insurance

You're The Boss.

A telling sign on a new businessowner's desk read: "Yesterday I didn't even know how to spell ENTREPRENEUR and now I are one!" Now that you have decided to open a home-based business, **all** decisions will be your responsibility, not just those you previously enjoyed because they involved your area of expertise. Of course, as a day-care operator you already knew how to soothe an upset child, but as the owner of that business, do you know when to file your taxes? As a consultant you have over 20 years' experience advising organizations on personnel matters, but do you know if it's to your advantage to incorporate? You are an expert at word processing, but do you know how to develop an efficient recordkeeping and billing system? You are the boss now and the good health of your business depends on your management skills.

Choosing Your Form of Business Organization

One of the most important decisions you will make is how to set up the business as a 1) sole proprietorship, 2) partnership, or 3)

corporation. Remember, the small business owner **risks it all,** no matter what form of organization.

The forming of a business organization depends on the following factors:

- Legal restrictions
- Need for capital
- Liabilities assumed
- Number of people associated in the venture
- Kind of business or operation
- Tax advantages or disadvantages
- Intended division of earnings
- Perpetuation of the business

Most home-based businesses are sole proprietorships or partnerships, but a comparison of the advantages and disadvantages of each type of organization follows:

A sole proprietorship is the least costly way of starting a business. You can form a sole proprietorship by finding a location and opening the door for business. There are the usual fees for registering your business name and for legal work in changing zoning restrictions and obtaining necessary licenses. Attorney's fees for starting your business will be less than for the other forms because less document preparation is required.

Sole Proprietorship

Advantages	*Disadvantages*
• Easiest to get started	• Unlimited liability
• Greatest freedom of action	• Death or illness endanger business
• Maximum authority	• Growth limited to personal energies
• Income tax advantages in very small firms	• Personal affairs easily mixed with business
• Social Security advantage to owner	

A **partnership** can be formed by simply making an oral agreement between two or more persons, but such informality is not recommended. Legal fees for drawing up a partnership agreement are higher than those for a sole proprietorship, but may be lower than incorporating. You would be wise, however, to consult an attorney to have a partnership agreement drawn up to help resolve future disputes.

Partnership

Advantages	*Disavantages*
• Two heads better than one	• Death, withdrawal, or bankruptcy of one partner endangers business
• Additional sources of venture capital	
• Better credit rating than corporation of similar size	• Difficult to get rid of bad partner
	• Hazy line of authority

You can **incorporate** without an attorney, but you would be unwise to do so. You may think a small family corporation does not need an attorney, but an attorney can save members of a family corporation from hard feelings and family squabbles. Attorney's fees may run high if organization problems are complex. The corporate form is usually the most costly to organize.

Corporation

Advantages	*Disadvantages*
• Limited liability for stockholders (while true for big business, may not be for small business)	• Gives owner a false sense of security
• Continuity	• Heavier taxes
• Transfer of shares	• Power limited by Charter
• Easier to raise capital	• Less freedom of activity
• Possible to separate business functions into different corporations	• Legal formalities
	• Expensive to launch

Recordkeeping

Keeping accurate and up-to-date business records is, for many people, the most difficult and uninteresting aspect of operating a home-based business. If this area of business management is one that you anticipate will be hard for you, plan *now* how you will cope. Don't wait until tax time or until you are totally confused. Take a course at the local community college, ask a volunteer SCORE® (Service Corps of Retired Executives) representative from the Small Business Administration to help you in the beginning, or hire an accountant to advise you on setting up and maintaining a recordkeeping system.

Your records will be used to prepare tax returns, make business decisions, and apply for loans. Set aside a special time each day to update your records. It will pay off in the long run with more deductions and fewer headaches.

If your business is small or related to an activity that is usually considered a hobby, it's even more important that you keep good records. The IRS may decide that what you are doing is only a hobby, and you won't be allowed to deduct expenses or losses from your home-produced income at tax time. So keep records of all transactions in which you spend or bring in money. Pick a name for your business and register it with local or state regulatory authorities. Call your city hall or county courthouse to find out how.

Your records should tell you these three facts:

- How much cash you owe,
- How much cash you are due, and
- How much cash you have on hand.

You should keep five basic journals:

1. **Check register**—Shows each check disbursed, the date of disbursement, number of the check, to whom it was made out (payee), the amount of money disbursed, and for what purpose.

2. **Cash receipts**—Shows the amount of money received, from whom, and for what.

3. **Sales journal**—Shows the business transaction, date, for whom it was performed, the amount of the invoice, and the sales tax, if applicable. It may be divided to indicate labor and goods.

4. **Voucher register**—A record of bills, money owed, the date of the bill, to whom it is owed, the amount, and the service.

5. **General journal**—A means of adjusting some entries in the other four journals.

Choosing a Recordkeeping System

Set up your records to reflect the amount and type of activity in your particular business. There are a wide range of pre-packaged recordkeeping systems. The SBA's pamphlet *Small Business Bibliography No. 15* (see "For Further Information") lists many such systems. The most useful system for a small, home-based business is usually based on what is called the "One-Write System." It captures information at the time the transaction takes place. These One-Write Systems are efficient because they eliminate the need for recopying the data and are compatible with electronic data processing if you should decide to computerize.

Even though you may be small and just beginning, it is probably wise to consult an accountant to help you decide which record-keeping system is best for your business. Once it is set up, you can record the daily transactions or periodically have a bookkeeper post your daily transactions in your General Ledger and prepare your financial statements.

Be sure to establish a **separate** bank account for your business—even before the first sale. Then you will have a complete and distinct record of your income and expenditures for tax purposes, and you won't have to remember which expenses were business and which were personal.

It is important to choose a recordkeeping system that you understand and will use. It will help you see how well the business is doing and is the first step in responsible financial management.

Tax Obligations and Benefits

Significant tax savings are available to the home-based business-owner in the form of deductions, credits, and depreciation allowances. The time, money, and energy you put into keeping good records and keeping current on tax laws will be worthwhile and ensure that you operate within the law. You will need to plan for income tax, social security (all self-employed persons must pay a federal self-employment tax), employees' taxes (if you hire

anyone), property tax on your home and business-related taxes, such as sales tax, gross-receipts or inventory tax (in some states and localities), and excise or individual item taxes (on certain commodities).

The Internal Revenue Service supplies the following free booklets (and runs free workshops) to give you details on your specific obligations:

- *Your Federal Income Tax* (Publication 17)
- *Tax Guide for Small Business* (Publication 334)
- *Business Use of Your Home* (Publication 587)
- *Employer's Tax Guide* (Circular E)
- *Self-Employment Tax* (Publication 533)
- *Tax Information on Retirement Plans for the Self-Employed* (Publication 560)
- *Tax Information on Depreciation* (Publication 534)
- *Information on Excise Taxes* (Publication 510)
- *Tax Withholding and Estimated Tax* (Publication 505)

There are various federal and state forms you will need to fill out to start a small business. The federal government requires you to fill out several forms including the following:

- Application for Employer Identification Number (Form SS-4) (If you have employees or are subject to excise tax)
- Employer's Annual Unemployment Tax Return (Form 940)
- Employer's Quarterly Federal Tax Return (Form 941)
- Employee's Withholding Allowance Certificate (W-4)

- Employer's Wage and Tax Statement (W-2)
- Reconciliation/Transmittal of Income and Tax Statements (W-3)

As a home-based business owner you should be aware that every business decision—each purchase and transaction you make—has tax implications or built-in tax advantages or disadvantages. Deductions may be available for home maintenance and improvements; automobile expenses; telephone expenses; office and work space; inventory space; major purchases, such as a computer; and a wide variety of other items such as uniforms, coffee service, trademarks, a safe deposit box, credit bureau fees, and business cards.

Each business situation is different and tax laws change, so consult up-to-date references, a trusted attorney, and an accountant who can advise you on your particular obligations and benefits.

Insurance

Insurance helps to safeguard your business against losses from fire, illness, and injury. You cannot operate without it. Talk with an insurance representative about your business needs. Check with the insurance carriers on your home policy and make sure business use of your home is compatible with your homeowner's policy. In addition to a homeowner's policy (personal plan), now that you have a business, you will need a commercial policy for full protection. Discuss these other possible needs with your agent:

- Product Liability Coverage—to protect you in case your product causes injury to the user
- Auto Liability and "Non-owned" Auto Liability Insurance—if a car is ever used to support the business in any way
- Medical Payments Insurance—payable if someone is injured in your home whether or not it was your fault

- Worker's Compensation—if you have employees
- Business Interruption Insurance or Earnings Insurance—in case your business is damaged by fire or some other cause and you must totally or partially suspend operations
- Disability Income Protection—a form of health insurance in case you become disabled
- Business Life Insurance—to provide funds for transition if you die

Be sure to keep all your insurance records and policies in a safe place—either with your accountant or in a safe deposit box. If you keep them at home for convenience sake, then give your policy numbers and insurance company names to your accountant or lawyer or put it in your safe deposit box.

Final advice for the wise business person is to read **and understand** the fine print in all policies and to reevaluate business insurance needs about every six months.

Other Considerations

Another aspect of planning is sheltering tax dollars through a Keogh Plan or corporate pension and profit-sharing plans, if your business is incorporated, or a retirement plan.

If you have a partnership, consider making a Buy and Sell Agreement with your partner(s). This agreement requires the surviving partner(s) to buy, and the heirs to sell, the deceased partner's interest. The surviving partner(s) then becomes the sole owner(s) and the heirs receive cash for their share of the business.

4

Dealing With Laws:

Zoning, Licensing, Permits, and Others

Unfortunately, many home-based business people try to "slide" into business, saying "I'll just try it for a few months and see how things go" or "It's not really a **business**. I have only ten clients." This attitude can lead to a lack of planning and big disappointments. If you set up your studio, print business cards and flyers announcing classes, and then find that regulations make it illegal to operate out of your home, you may have to start all over.

Zoning

Before you start your home-based business, do a thorough investigation of the zoning laws in your community. Zoning regulations spell out activities permitted and prohibited in specific portions of a city or county. Call your town hall, zoning office, or local library to get a copy of zoning laws. Find out the structure of your local zoning groups. Most areas have Planning, Zoning, and Appeals Boards.

If the home business you are planning conforms to zoning regulations, then all you need to do is keep abreast of new proposals that may affect your situation. It's a good idea to stay in touch with others operating from their homes by joining business organizations or neighborhood groups in case you ever need to band

together to propose or oppose new regulations. Maintaining a low profile and friendly relations with your neighbors will result in more support from them should adverse regulations affecting your business ever be proposed.

If through your research you discover that the home business you are planning would violate the zoning code, there are several possible ways to proceed. You might wish to check with an attorney who specializes in zoning law to look for a legal way around the regulation. You might decide to apply to the Zoning Board for a variance or exception. Or you may be able to change your business enough to make the operation fit the law. If the regulation outlaws businesses that employ people other than the owner at home, maybe you can have employees take work to their own homes. If your business will create too much traffic, consider another strategy for product distribution. If your business will create too much noise, maybe you can soundproof your house. At last resort, ask yourself "Is it worth it to organize a drive to change the law?" Considering the rapid growth in the number of home-based businesses, you just might find other entrepreneurs who are also interested in submitting a change in the regulations to the Zoning Board. Go to meetings of the Board and try to identify the person who appears most active and most sympathetic to your position.

In the unfortunate and unlikely (most zoning officers don't have time to chase people who aren't bothering anybody) event that you are issued a "cease and desist" order, you should: 1) file an appeal immediately with the Appeals Board (if you interpret the regulations differently than they do); or 2) submit a change in the regulation to the Zoning Board to allow your business, which may enable you to continue to operate without fines until the Board reaches a decision. You may need a lawyer if you are not entirely familiar with the regulations and the workings of the Board.

Cultural and national trends point in the direction of zoning regulations that allow quiet, nonpolluting, low-traffic kinds of home businesses. More and more corporations are employing people to work at home. Most neighborhoods will adopt a "live and let live" attitude if you keep your premises neat and quiet and don't create traffic and parking problems.

Keeping Up With Zoning Legislation

There are two ways to keep up with zoning legislation in your community (and with other topics of interest to home-based entrepreneurs). One way is to read local newspapers, especially the business section and the local or "neighborhood" sections. Be sure you notice local items about such things as proposed subway stations or the county's plan for revitalization. Changes like these could eventually influence zoning in your area. The other way to keep abreast of trends and zoning issues is to join the local chapter of a business group, such as the Rotary Club, the National Association of Women Business Owners, the National Family Business Council, or a Business and Professional Women's Club. Through newsletters, meetings, and friendships that develop, you will hear all the latest local (and national) issues discussed while you learn valuable business skills and make useful contacts.

Working With Professionals

Even the smallest and newest business needs help from at least two kinds of specialists: an attorney and an accountant. Depending on your type of business and your skills you may, from time to time, ask the advice of other professionals, such as a direct mail or marketing specialist, an insurance representative, management consultant, a computer specialist, a realtor, a public relations expert.

Several guidelines will hold true no matter what type of expert you are dealing with: 1) Interview professionals to see if you will be comfortable working with them. Make sure they have served other small businesses similar to yours. Find out ahead of time exactly what service you are buying, what the working relationship will be, and what fees will be charged. 2) Be completely honest about your business situation. Advice based on partial or incorrect information is no advice at all. If you are having problems, don't be embarrassed. If your sales are down, give the experts all the information you have and work as a team to solve the problem. If business is good, don't be afraid that professionals will steal your idea or expect a raise. Build a trusting, businesslike relationship. 3) Expect the professionals you hire to spend at least some of their

time teaching you and explaining complex concepts. But don't expect to be spoon-fed or delegate all decisions to them. Take a course at the local community college in recordkeeping and taxes or public relations to develop more skill in areas where you are inexperienced. 4) Keep your appointments and pay your bills promptly.

Your Lawyer

To find a lawyer who is familiar with businesses of your size and type, ask for a referral from a business colleague, your accountant, the local Chamber of Commerce, your banker, or some other trusted source. Some local bar associations run a lawyer referral and information service. Some just give you names; others actually give information on experience and fees to help you match your needs to the lawyer's background and charges.

A lawyer can help you decide which is the most advantageous business structure (sole proprietorship, partnership, or corporation). He or she can help you with zoning, permit, or licensing problems; health inspection problems; unpaid bills; contracts and agreements; patents, trademarks, copyright protection; and some tax problems. Because there is always the possibility of a lawsuit, claim, or other legal action against your business, it is wise to have a lawyer who is already familiar with your business before a crisis arises. A lawyer experienced with your type of venture should also advise you on laws, programs, and agencies—(federal, state, and local)—that help small businesses through loans, grants, procurement set-asides, counseling, and other ways. He or she will tell you about unexpected legal opportunites and pitfalls that may affect your business.

In choosing a lawyer, experience and fee should be related. One lawyer may charge an hourly rate that, at first, looks cheaper than another lawyer's. However, because of a lack of experience in some area, the less expensive lawyer may charge a larger fee in the long run. Ask for a resume and check references. If you feel overwhelmed, take a trusted friend to the initial meeting to help you keep on track as you interview the lawyer about services and fees.

If you retain a law firm, be sure you understand who will work on your case and who will supervise the work. If junior lawyers handle your work, the fees should be lower. That's fine as long as you know an experienced attorney will be reviewing the case periodically.

Let your lawyer know that you expect to be informed of all developments and consulted before any decisions are made. You may also want to receive copies of all documents, letters, and memos written and received in your case or have a chance to read them in the lawyer's office.

Ask the attorney to estimate the timetable and costs of your work. You may wish to place a periodic ceiling on fees, after which he or she would call you before proceeding to do work that would add to your bill. Always have a **written** retainer agreement, describing just what you and the lawyer expect of each other.

Your Accountant

Most businesses fail not for lack of good ideas or good will, but rather for lack of financial expertise and planning. Look for an accountant as you would an attorney. Get referrals from trusted friends, business associations, or professional organizations. Discuss fees in advance and draw up a written agreement about how you will work together. Your accountant (along with your lawyer) can advise about initial business decisions, such as the form of the business. Your accountant will help set up your books, draw up and analyze profit and loss statements, advise on financial decisions (e.g., buying a computer), and give advice on cash requirements for your start-up phase. He or she can make budget forecasts, help prepare financial information for a loan application, and handle tax matters.

Accounting firms offer a variety of services. If this is not an easy area for you, the fees you pay will be well worth it. Most firms will maintain books of original entry, prepare bank reconciliation statements and post the general ledger, prepare balance sheets and income statements on a quarterly or semi-annual basis, and design and implement various accounting and recordkeeping systems.

They will also get your federal and state withholding numbers for you, give instructions on where and when to file tax returns, prepare tax returns, and do general tax planning for the small business person.

Your accountant is your key financial advisor. He or she should alert you to potential danger areas and advise you on how to handle growth spurts, how to best plan for slow business times, and how to financially nurture and protect your business future.

State and Federal Laws That May Apply to Your Business

Most localities have registration and licensing requirements that will apply to you. A license is a formal permission to practice a certain business activity, issued by a local, state, or federal government. You may have the type of business that requires a permit from the local authorities. There is often a small fee for licenses and permits (usually $15-25). A license may require some kind of examination to certify that the recipient is qualified. Your business name must be registered and a sales tax number must be obtained. Separate business telephones and bank accounts are usually required. Of course, you will want to have the latter anyway for accurate bookkeeping purposes. If you have employees, you are responsible for withholding income and Social Security taxes. You must also pay worker's compensation and unemployment insurance and comply with minimum wage and employee health laws.

If your operations are intrastate, you will be concerned primarily with state and local, rather than federal, licensing. Businesses frequently subject to state or local control are retail food establishments, drinking places, barber shops, beauty shops, plumbing firms, and taxi companies. They are primarily service businesses and are subject to regulations for the protection of public health and morals. Your attorney can help you make sure you have complied with all licensing and permit requirements. Depending on your type of business you may have to comply with building and safety codes, too.

Think twice about the liabilities of operating without proper licenses and registrations. If you begin to advertise or are fortunate enough to "make the news" in some way, you will probably hear from a local official. You will pay with embarrassment, time, and money if your business is not properly licensed.

If you find legal regulations, permits, and licenses confusing, make sure you find some way to get the information you need to operate legally. Get help from your lawyer, accountant, business partner, or even your local librarian. This is not an aspect of business operations that can be delayed until you "get around to it." Your business reputation and financial standing are at stake.

5

Understanding the Financial Side

Who Needs Financial Planning? You do! All businesses run on money for the purpose of making money. A major reason for business failure is the lack of financial planning. Although it is nearly impossible to make exact estimates, approximate ones will help. The very process of thinking through these financial questions will develop your business acumen and lead to solid planning. Get your accountant involved in reviewing your plans and advising you, too.

Estimating Start-Up Costs

Begin your financial planning by estimating your initial or start-up costs. Include all items of a nonrecurring nature such as fees, licenses, permits, franchise fees, insurance, telephone deposit, tools, equipment, office supplies, fixtures, installation of fixtures and equipment, remodeling and decorating, funds for your opening promotional event if you plan to have one, signs, and, of course, professional fees for your attorney and accountant.

Depending on your type of operation, the amount of money you invest, and the energy you expect to put in (part-time to full-time) can determine how much working capital you will need. Many business experts say if you expect a profit in six months, double that time and be ready to operate without profits for twelve months to give yourself a cushion in case of unanticipated expenses or delays. Study the growth patterns of other similar business and ask for advice from your accountant and attorney.

Projecting Operating Income and Expenses

Next, estimate the "working" capital you will need to keep operating for six to twelve months. Operating expenses include salaries; expenses for telephone, light, heat, office supplies, and other supplies or materials; debt interest; advertising fees; maintenance costs; taxes; legal and accounting fees; insurance fees; business membership fees; and special services expenses, such as secretarial, copying, and delivery service.

It is a good idea to obtain typical operating ratios for the kind of business in which you are interested. Among the sources for such ratios are Robert Morris Associates, Dun & Bradstreet, Inc., the Accounting Corporation of America, trade associations, publishers of trade magazines, specialized accounting firms, industrial companies (for example, National Cash Register Co.), and colleges and universities. The typical ratios for your type of business combined with your estimated sales volume will serve as benchmarks for estimating the various items of expense. However, do not rely exclusively on this method for estimating each expense item. Modify these estimates through investigation and quotations in the particular market area where you plan to operate.

In addition to business operating capital, you will need to plan for reserve capital to cover personal expenses. This estimate will include all your normal living expenses, such as food, household expenses, car payments, rent or mortgage, clothing, medical expenses, entertainment, and taxes for you and your family.

After you have estimated start-up costs, working or operating capital needed for six to twelve months, and personal expenses and obligations, you may see that you need more start-up capital than you thought. What will you do? Discuss this with your accountant, attorney, and trusted business associates and family. Entrepreneurs secure needed capital in a variety of ways. You can:

- Get loans or gifts from family members or friends. Make businesslike, written agreements and be sure to disclose fully the potential risk as well as the possible profit.

- Apply for a bank loan. For this you will need a comprehensive statement of your personal financial condition

and a business plan with financial projections to present to the loan officer. If you need help in preparing your loan application, take a course for small business people at a local community college or visit your nearest SBA office to get assistance from a SCORE® counselor.

- Apply for an SBA loan guarantee. The SBA is not a bank, but it does extend guarantees and may rarely participate in a loan when the bank is unable or unwilling to provide the entire financing itself. The SBA loan officer will ask you the same hard questions as a loan officer in a commercial bank and require the same carefully considered data on your personal finances, start-up costs, and business projections.

- Search for some sort of venture capital. For start-up entrepreneurs some prior managerial or entrepreneurial track record is usually necessary in order to get venture capital. The main disadvantage of venture capital is that you will probably have to give up between 50 to 90 percent ownership of the new business in return for the capital. A home business is extremely unlikely to attract venture capital.

Understanding Your Balance Sheet

Your Balance Sheet is a summary of the status of your business—i.e., its assets, liabilities, and net worth—at an instant in time. By reviewing your Balance Sheet along with the Profit and Loss Statement and Cash-Flow Statement, you will be able to make informed financial and business planning decision.

The Balance Sheet is drawn up using the totals from the individual accounts kept in your General Ledger. It shows what you have left when you pay all your creditors. Assets less liabilities equal capital or net worth. The assets and liabilities sections must balance—hence the name Balance Sheet. It can be produced quarterly, semi-annually, or at the end of each calendar or fiscal year.

While your accountant will be most helpful in drawing up your Balance Sheet, it is **you** who must understand it. **Current assets** are anything of value you own such as cash, inventory, or property that the business owner can convert into cash within a year; **fixed assets** are things such as land and equipment. **Liabilities** are debts the business must pay. They may be current (such as amounts owed to suppliers or your accountant) or they may be long-term (such as notes owed to the bank). **Capital** (also called equity or net worth) is the excess of your assets over your liabilities.

Prepare a Balance Sheet for your new business during the planning phase to estimate its financial condition at that time and also a projected one for the first year of business. This will help you decide on the feasibility of your venture and make modifications to ensure profitability. You can also use these statements as part of the documentation in a loan application.

Understanding Your Profit and Loss Statement

Your Profit and Loss Statement is a detailed, month-by-month tally of the income from sales and the expenses incurred to generate the sales. It is a good assessment tool because it shows the effect of your decision on profit. It is a good planning tool because you can "try out" decisions on paper before actually going ahead.

The Profit and Loss Statement includes four kinds of information:

- The **Sales** information lists the number of units sold and the total revenues generated by the sales.
- The **Direct Expenses** category includes the cost of labor, materials, and manufacturing overhead (but not normal overhead).
- **Indirect Expenses** are the costs you have even if the product is not produced or the service is not delivered. They include the fixed costs or normal overhead of salaries,

rent, utilities, insurance, depreciation, office supplies, taxes, and professional fees for your lawyers and accountant.

- **Income** or **Profit** is the last category on the Profit and Loss Statement. It is shown both as pre-tax and after-tax or net income. The IRS will look at your pre-tax figure, whereas your loan officer and you are more concerned with your after-tax figure.

Your Profit and Loss Statement should be prepared at the very minimum once a year—and more often in the beginning or growth stages of your business. It is a key document from which the economic health of a business can be determined. Make certain you do it properly and understand its meaning.

Understanding Your Cash Flow Statement

Your business must have a healthy cash flow to survive. Cash flow is the amount of money available in your business at any given time. To keep tabs on cash flow, forecast the funds you expect to disburse and receive over a given period of time. Then you can predict deficiencies or surplus in cash and decide how to respond.

A cash flow projection serves one other very useful purpose in addition to planning. As the actual information becomes available to you, compare it to the monthly cash flow estimates you previously made to see how accurately you are estimating. As you do this, you will be giving your self on-the-spot business training in making more accurate estimates and plans for the coming months. As your ability to estimate improves, your financial control of the business will increase.

The creative business owner works with his or her accountant to use the information gleaned from all of these financial tools to make a variety of managerial decisions—decisions on buying supplies, expansion, when to hire more employees, how to get the best tax breaks, and many other important steps that will shape the future of the business.

6

Make It Easy On Yourself

Successful home-based business owners learn from experience—their own and that of others. In Jeffry A. Timmon's study of entrepreneurial personality characteristics (*New Venture Creation: A Guide to Small Business Development*), he notes that entrepreneurs are disappointed but not discouraged by failure. They use failures as learning experiences and try to understand their role in causing the failure in order to avoid similar problems in the future. Furthermore, Timmons asserts, entrepreneurs seek and use feedback on their performance in order to take corrective action and improve.

How to Learn From Experience

You can learn from experience in several ways:

First, work closely and creatively with professional advisors, such as your lawyer and your accountant. As you continually review your business records, you will see "mistakes," but you will also begin to develop skill in planning and managing.

Second, continue to learn about all areas of business operations, constantly acquiring new ideas. Most community colleges have short, inexpensive, practical courses for business owners in topics like "Financing a Small Business," "Choosing a Small Business Computer," and "Starting and Operating a Home-Based Business."

Third, get to know other business owners with similar needs or problems. Talking with others may be a way to avoid repeating the

mistakes they have made and benefiting from their experience. Local and national organizations offer membership, social events, networking opportunities, newsletters, and seminars for home-based business owners. Through these organizations you can often advertise your product or service to other business owners. They also provide a way to learn about services you may need, such as accounting, public relations, or a responsible secretarial service. These organizations offer updates in such areas as taxes and zoning in their newsletters and workshops.

Finding and Using Resources, Networks, and Support Groups

Start out with the attitude "Whatever my current business problem, I can find the solution. Somewhere there is information, a book, a person, an organization, or a government agency that can help." A word of warning though: finding resources and building networks can be very time-consuming. Joining organizations can turn out to be expensive, especially if you are too busy to use their services and support once you join. So use this list to organize your search for resources useful to you, then pick and choose carefully what you decide to read, join, buy, or attend:

Your Public Library: Visit your local library. Get to know its resources. In addition to books, many libraries offer free workshops, lend skill-building tapes, and become a central place to pick up catalogues and brochures describing continuing education opportunities for business owners. Ask the librarian for current copies of zoning regulations. Get familiar with new books and resources in your field (computers, health care, crafts, etc.) as well as in business skills (advertising techniques, financing, etc.) Look for magazines such as *In Business*, *Black Enterprise*, *Venture*, or *The Journal of Small Business Management*. Reading selectively is free. Subscribing to too many magazines may be expensive.

Organizations: A wide variety of local and national organizations have sprung up to serve the informational, lobbying, and networking needs of business entrepreneurs. Through meetings, services, or newsletters, groups such as the National Association of Women Business Owners, American Entrepreneurs Association, Business

and Professional Women's Club, National Alliance of Homebased Businesswomen, and the National Association for Cottage Industry offer members everything from camaraderie to valuable "perks," such as group rates on health insurance. David Gumpert's book, *The Insider's Guide to Small Business Resources*, has addresses of many of these groups and other information on such resources.

Government Resources: Contact your local or district office of the U.S. Small Business Administration (SBA) to learn about SBA services and publications. The SBA also offers free or inexpensive workshops and counseling through SCORE.® SCORE® is a volunteer program sponsored by the SBA through which retired executives who have management expertise are linked with owners/managers of small business or prospective entrepreneurs who need help.

The Department of Commerce, Bureau of the Census, Department of Defense (procurement), Department of Labor, IRS (ask for the free "Business Tax Kit"), Federal Trade Commission, and the Government Printing Office all have publications and services to inform and support you. Local and state government offices may also have services to help you. Addresses will be available in your telephone book, under U.S. Government, at your public library, or at the SBA office near you.

Community colleges: Most community colleges now have short, inexpensive, noncredit programs for entrepreneurs. The classes usually are convenient to business owners and are taught by experienced owners and managers.

As a home-based business person you can overcome feelings of isolation and give and receive valuable information if you tap into networks and resources. Being active in professional and trade associations will help to build a good marketing network for your service or product. Take the time and invest the money for memberships. Then continually evaluate which organizations and resources best serve your business information and networking needs.

Managing Time and Stress

Expect to encounter stress and time problems similar to those of other business owners but accentuated by the fact that you work at home. Follow these guidelines to make it a little easier on yourself:

1) **Plan your time and establish priorities on a daily "to do" list.** Decide what your "prime time" is and do your most important or difficult tasks then. Set "business hours," specific times when you are at work and times when you turn on the answering machine because you are "on duty but off call." You, your customers, and your family will appreciate knowing your set routine, even though you know that for special events or emergencies you can break that schedule.

2) **Notice what your four or five big time-wasters are and learn techniques to eliminate them or compensate for them.** Some common ones are: telephone interruptions, visitors, socializing, excessive paperwork, lack of policies and procedures, procrastination, failure to delegate, unclear objectives, poor scheduling, lack of self-discipline, and lack of skill in a needed area.

3) **Stay in contact with people.** Even though you prefer to work at home, you should plan work-related or social activities that provide frequent contact with others. This will help your morale if you feel isolated. Even for home-based business owners who like feeling isolated, keeping up with business and professional contacts is a must.

4) **Build a fitness program into your day.** Many successful entrepreneurs exercise in order to think creatively because physical activity sends oxygen to the brain and helps the mind function better. With regular exercise your health will improve, your stress level will go down, and your trim look will inspire people to have confidence in your abilities.

5) **Give your home business as much of a separate and distinct physical identity as possible.** Although you might save a few dollars by using the ironing board as a bookshelf and a cardboard box as a file cabinet, the stress and strain of operating without

proper space and supplies will take its toll. Have a separate room or area for your business, with a separate entrance if customers or suppliers visit. Consider soundproofing so your family won't be bothered by your noise and vice versa. (In addition to the psychological and physical comfort of having a separate office, the IRS requires it in order for you to make a legitimate claim for tax deductions.)

6) **Take care of your major business asset: YOU**. Being the boss can be exciting, fulfilling, and rewarding. It can also be lonely, stressful, and demanding. Learn to balance your professional and personal life. Go on vacation. Get a weekly massage. Join a health club. Take a class in meditation. Attend a business owner's breakfast club. Your business depends on you to be at your best.

Profile: Jeanette's Day-Care Center

Jeanette wanted to return to work when her two children started school. Since her degree was in child psychology, she applied for a job as an assistant at a neighborhood day-care center. When she heard the salary, she decided there must be a better way. After several months of planning and researching, she decided to open her own day-care center in her basement recreation room. With remodeling she could accommodate the children and meet the zoning and licensing regulations. Four years later, her center has an excellent reputation and a long waiting list. She likes being "at home" and working in the business half-days while attending school for a graduate degree in business administration.

Profile: Wallflowers, A Wallpapering Partnership

Thirteen years ago Jane and Rachel bought a van together and formed "Wallflowers," a wallpapering and painting business. When they started, Rachel was recently divorced and wanted to test her entrepreneurial wings. She had quite a reputation with her friends for doing beautiful wallpapering and was often asked by them to help out on weekend remodeling jobs. Jane had little wall-

papering experience but had handled all the accounting for her uncle's contracting firm and knew local suppliers and business owners.

They have never had to advertise. Word-of-mouth referrals have kept them busy ten months of the year. They close for two months in the summer so Jane can be with her kids and Rachel can go to Maine. Jane likes working "around" her family; if a child is sick or has a school program she'd like to attend, she doesn't have to apply for leave or fear losing her job. Her clients, mostly family-oriented people such as herself, understand that her children come first and the job will get done.

For Further Information

U.S. Small Business Administration Publications

The following **Business Development Booklets**, are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Write for current prices on order form SBA 115B.

Handbook of Small Business Finance—Small Business Management Series No. 15.

Ratio Analysis for Small Business—Small Business Management Series No. 20.

Guides for Profit Planning—Small Business Management Series No. 25.

Starting and Managing a Small Business of Your Own—Starting and Managing Series No. 1.

The following **Business Development Pamphlets** are available for a small processing fee. Write the Small Business Administration, P.O. Box 15434, Fort Worth, TX 76119 for order form 115A, which lists the publications and fees.

Management Aids

The ABC's of Borrowing—MA 1.001

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Basic Budgets for Profit Planning—MA 1.004.

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Incorporating a Small Business—MA 6.003

Selecting the Legal Structure for Your Business—MA 6.004

Women's Handbook—MA 5.

Small Business Bibliographies

Home Businesses—SBB 2.

Selling By Mail Order—SBB 3.

Marketing Research Procedures—SBB 9.

National Directories for Use in Marketing—SBB 13.

Recordkeeping Systems—Small Store and Service Trade—SBB 15.

Basic Business Reference Sources—SBB 18.

Financial Management—SBB 87.

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